



**Marathon  
Investment  
Management**  
*"Wealth-building for the long run"*

## Monthly Newsletter

# 30,000!

WRITTEN BY GEORGE GUMBINER  
DECEMBER 2, 2020

### The Stats –

Wow! Last Tuesday, November 24th, the Dow Jones Industrial Average (DJIA) hit 30,000 and closed out that day at 30,046. It was only 8 months ago when the DJIA fell to 18,213, its year low, before its 64.9% rise. It took only 171 trading days for the Dow to reach this latest milestone from 20,000. The Dow was not alone on the 24th. The S&P 500 notched its 25th record of the year. The Russell 2000 small-cap index hit its record high of 1862 up from its year low of 966 or a gain of 88.3%.

During November, 10 major indexes made record highs. Please consider the following table:

Index	11/30/20 Close	% off from low	Year-to-Date % Return <sup>[1]</sup>
DJIA	29,638	62.7	3.86
DJ Transportation Avg	12,450	92.0	14.21
DJ Utility Avg	861	45.1	-1.98
DJ Total Stock Market Avg	37,581	71.1	13.76
S&P 500	3,621	65.2	12.10
S&P MidCap 400	2,168	83.5	5.11
NASDAQ Composite	12,198	83.9	35.96
Russell 1000	2,037	70.0	14.19
Russell 2000	1,819	88.3	9.07
Russell 3000	2,154	71.0	13.85
DJ Global ex. U.S.	273	56.8	3.85

Of all major global markets, the NASDAQ 100 (U.S.) closed the first 11 months up 40.5% followed by the NASDAQ Composite (U.S.) with its 35.9%. The best performing foreign stock exchange so far this year was the S. Korea Kospi up 17.9%.

[1]www.wsj.com U.S. Americas Stock Indexes 11/30/20

"FAILURE IS SUCCESS  
IF WE LEARN FROM  
IT." – MALCOLM  
FORBES

"AS LONG AS YOU  
LIVE, KEEP  
LEARNING HOW TO  
LIVE." -- SENECA

Please note the following selected exchanges best to worst through November:

**Exchange/Country    Year-to-Date % Return<sup>[1]</sup>**

Kospi (S. Korea)	17.9
Taiwan Weighted Index (Taiwan)	14.4
Nikkei Stock Avg (Japan)	11.7
Shanghai Composite (China)	11.2
S&P BSE Sensex (India)	7.0
S&P/TSX Composite (Canada)	0.7
DAX (Germany)	0.3
IPC Index (Mexico)	-4.0
Bovespa Index (Brazil)	-5.8
Hang Seng (Hong Kong)	-6.6
Tel Aviv 35 (Israel)	-12.1
IBEX 35 (Spain)	-15.4
FTSE 100 (United Kingdom)	-16.9
IPSA (Chile)	-17.0

Even though U.S. markets fell on the last day of the month, the DJIA rose 12%, marking its best month since January 1987.<sup>[2]</sup> The S&P 500 soared 11% for its best showing since April, while the NASDAQ Composite rose 12%.<sup>[3]</sup> Of positive significance, companies that have suffered the most from the pandemic posted steep gains, including energy producers, banks, and leisure companies. The Russell 2000, which has been a laggard to the large cap issues had its best monthly performance ever, with an advance of 18%.<sup>[4]</sup> International markets were mixed with ongoing concerns about trade restrictions from the U.S. For the United Kingdom, on-going Brexit negotiations remain at an impasse with the European Economic community. In another sign of investors' optimism, the yield on the benchmark 10-year Treasury note is beginning to rise from its March 9th all-time low yield of 0.38%. As of November 30, the T-note closed with a yield of 0.85%.<sup>[5]</sup> The 30-year T-note closed with a 1.58% yield up from its March low of 0.69%.<sup>[6]</sup> The most sensitive debt obligation to the raging pandemic, the 90-day T-bill closed at 0.08% up from its March 20th all-time low of -0.07%.<sup>[7]</sup>

[1] [www.wsj.com](http://www.wsj.com) Track the Markets 12/1/20

[2] [www.wsj.com](http://www.wsj.com) Dow Falls but Holds On For Best Month in Over Three Decades 11/30/20

[3] Ibid.

[4] Ibid.

[5] [www.wsj.com](http://www.wsj.com) Bonds & Rates 11/30/20

[6] Ibid. [7] Ibid.

[8] [www.marketwatch.com](http://www.marketwatch.com) Silver 11/30/20

[9] [www.marketwatch.com](http://www.marketwatch.com) Gold 11/30/20

[10] [www.wsj.com](http://www.wsj.com) Track the Markets 11/30/20

For commodities, silver continues to shine with a year-to-date return of 31.5%, closing at \$23.47 per ounce.<sup>[8]</sup> Gold closed the month up from 19.03% year-to-date at \$1,809.40 per troy ounce.<sup>[9]</sup> The top return so far is orange juice, with a 32.5% return.<sup>[10]</sup>

## -Earnings and more

The stock market recovery has been bolstered by corporate earnings, which have been better than most pundits had expected. With nearly all S&P 500 companies reporting, third quarter earnings are -6.49% from a year earlier.<sup>[1]</sup> According to Fact Set economists at September end were predicting a 21% decline.<sup>[2]</sup> Gross Domestic Product (GDP) second estimate from the U.S. Bureau of Economic Analysis (BEA) came in at a 33.1% gain for the third quarter. For the second quarter, the BEA's third estimate was a loss of 31.4%.<sup>[3]</sup> Factors of GDP include consumer spending, which rose 0.5% in October.<sup>[4]</sup> Factory orders rose a solid 1.3% for that month while sales of newly build homes remained near its 14-year high.<sup>[5]</sup> Inflation remained tame with the Producer Price Index advancing only 0.3% in October while the popular Consumer Price Index remained unchanged.<sup>[6]</sup>

Unemployment on a monthly basis was 6.9%, down from the May high of 13.3%.<sup>[7]</sup> Labor productivity which is a multi-factor ratio of production and hours worked to produce those goods and services rose 4.9% in the third quarter.<sup>[8]</sup>

On the global front estimates for fourth quarter GDP vary as widely as their respective stock exchanges. According to the Organization for Economic Cooperation and Development, China will emerge as the big winner with an estimate just shy of 10%; while Argentina is estimated to fall into the negative 7% range.<sup>[9]</sup> The Paris-based body anticipates the global economy to grow by 4.2%, having contracted by the same degree this year.<sup>[10]</sup>

[1] [www.refinitiv.com](http://www.refinitiv.com) S&P Earnings Score Card 11/25/20

[2] [www.wsj.com](http://www.wsj.com) The Stock Markets Rally is Finally Widening 12/1/20

[3] [www.bea.gov](http://www.bea.gov) News Release 11/25/20

[4] [www.wsj.com](http://www.wsj.com) U.S. Consumer Spending Grows 11/25/20

[5] Ibid.

[6] [www.bls.gov](http://www.bls.gov) Economic News Release 11/13/20

[7] [www.bls.gov](http://www.bls.gov) Economy of a Glance 11/20/20

[8] [www.bls.gov](http://www.bls.gov) Labor Productivity and Costs 11/30/20

[9] [www.wsj.com](http://www.wsj.com) Global Economy Faces Hard Winter 12/1/20

[10] Ibid.

## -Going Forward

The best performing mutual and exchange-traded funds (ETFs) year to date are all double-digit and primarily in the environmental and technology sectors. The top ten performer has returned 259.86% (FNGU) while number twenty-five produced 115.16% (BPTIX) in eleven months.

[1] One report from Bank of America Global Research stated the asset value of the U.S. tech sector, at \$9.1 trillion now exceeds Europe, including the United Kingdom and Switzerland.[2] Risks-taking investors in the first 10 months have invested \$16.3 billion in leveraged and inverse ETFs – on pace for an annual record.[3] Through the last eleven months and despite historic low interest rates, companies and governments have issued a record \$9.7 trillion in bonds and other debt.[4] Global debt has risen \$15 trillion in the first few months of this year and is set to hit \$277 trillion by year-end. This new record will represent a 365% value greater than world GDP.[5]

As of December 1, U.S. national debt stands over \$27.3 trillion and with unfunded liabilities that number rises to \$85.8 trillion. U.S. federal debt to GDP Ratio is now at 128.22%.[6] As we see it regarding bond buyers, investors can accept more risk, lower their expectations or accept the current rates as the new normal. Investor migration from debt to dividend-paying equity explains at least part of the stock market recovery this year. Currently, the dividend yield of the S&P 500 index is 1.65%.[7]

The very good news are developments here and abroad regarding COVID-19 vaccines. On December 1st British regulators cleared the Pfizer vaccine for general distribution. Within weeks, it is anticipated that the Food and Drug Administration (FDA) will rule and approve the Pfizer product, followed shortly by the Moderna vaccine, and afterwards one being produced by Johnson & Johnson. Forty million doses of vaccines are anticipated to be distributed nation-wide by year-end.[8]

As mentioned in previous letters, the COVID-19 virus has been a technology catalyst. For many different types of businesses, the “stay-at-home” economy is here to stay. Well-managed companies that could adapt their infrastructure to the pandemic have done so. Amazon.com, perhaps the leading beneficiary of this disease has spent \$30 billion on capital expenditures in the first nine months of 2020 in its e-commerce business.[9]

For U.S. households, COVID-19 has created more suburban sprawl along with fewer business trips. Even with mass inoculation, airlines, hotels and convention centers might not fully recover some of their business income.

Restaurants and grocers that have adopted may stay with their new methodologies.

Stock market optimists state that 2021 could be very strong with record-breaking development and inoculations worldwide of vaccines, along with the huge jump of the money supply which is up some 44% since March now in circulation, and also with interest rates globally near historic lows. Whichever direction markets go, 2021 ought to be very interesting! We are “here” to discuss and plan accordingly – call us!

## -Year-End Tax Considerations

As we approach 2021, it may be more than timely to consult with your tax advisor, or at least ask us what may change with the new year. Some issues to consider with the new administration in Washington:

1. FICA tax expansion
2. Income and capital gains tax rates
3. Capping itemized deductions
4. Corporate tax rate changes
5. Removing the state and local tax deduction cap
6. Modifying or eliminating the 20% qualified business income deduction
7. Benefits of the CARES Act that expire after 2020
8. Considering accelerating compensation & deferring loss harvesting
9. Consider converting IRAs to ROTHs
10. Consider making charitable gifts from IRAs
11. Using Flexible Spending Account (FSA) dollars
12. Taking advantage of the high estate tax exemption

We hope you will take full advantage of the benefits we have this year – next year may be very different – call us! We wish you and your family a strong and healthy finish to a most challenging and unprecedented 2020.

[1] [www.wsj.com/Fund-Screener](http://www.wsj.com/Fund-Screener) 11/30/20

[2] [www.vfunds.com](http://www.vfunds.com) Three Financial Facts of the Week 12/2/20

[3] [www.wsj.com](http://www.wsj.com) Investors Pile into Risky EFTs 11/29/20

[4] [www.wsj.com](http://www.wsj.com) The World's Appetite for Debt is Smashing Records 11/30/20

# Special Notice Effective 1/1/2021

Marathon Investment Management was incorporated January 1, 2001. For the past 20 years, Marathon has donated many hours towards philanthropy and charity. Marathon has managed a large portion of assets, over \$30 million, pro-bono, for local and international not-for-profit institutions and their employees. In addition, our former employees, their families, and those investors using the money market funds, have had the advantage of all Marathon services without a fee charged. During the past twenty years, we have never raised fees and currently do not anticipate doing so. However, effective January 1, 2021, we will impose a nominal 25 basis point AOE (Administrative and Operating Expense) fee; equivalent to \$2.50 per \$1,000 with our non-profits, former employee and family accounts, as well as those clients holding their accounts in money market funds. We at Marathon will continue to manage and provide investment advisory, financial and estate planning to those philanthropic organizations and accounts on a pro-bono basis as we recognize the importance of being in the community and continue to volunteer with our time, talent, and treasure.